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No. 89-471

In the Supreme Court of the United States

OCTOBER TERM, 1989

JAMES N. CONSTANT, PETITIONER

v.

UNITED STATES OF AMERICA

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES IN OPPOSITION

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QUESTION PRESENTED

Whether the Claims Court properly dismissed petitioner's suit for compensation under 35 U.S.C. 181 *et seq.* and the Just Compensation Clause of the Fifth Amendment for damage allegedly caused by an order issued by the Commissioner of Patents and Trademarks requiring that his patent application be kept secret in the interest of national security, because petitioner failed to exhaust administrative remedies and did not allege a taking claim with any particularity.

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OPINIONS BELOW

The order of the court of appeals (Pet. App. A2) is unpublished, but the decision is noted at 884 F.2d 1398 (Table). The opinion of the United States Claims Court (Pet. App. B2-B34) is reported at 16 Cl. Ct. 629.

JURISDICTION

The judgment of the court of appeals was entered on August 14, 1989, and the petition for a writ of certiorari was filed on September 19, 1989. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. On February 11, 1985, petitioner filed an application for a patent with the Patent and Trademark Office (PTO) in the Department of Commerce. The patent application involved an invention described as a Gravitational Mass Detector. Pet. App. B3. In March 1986, the Commissioner of Patents and Trademarks issued an order pursuant to the Invention Secrecy Act, 35 U.S.C. 181, which required that the invention remain secret and that the application remain under seal. S.A. 20-21.[1] Section 181 requires the Commissioner to withhold the grant of a patent and to require that the invention be kept secret if the Secretary of Defense or other appropriate officer concludes that the "publication or disclosure by the grant of a patent on an invention might * * * be detrimental to the national security." In this case, the secrecy order was issued by the Commissioner based on a notification by the Armed Services Patent Advisory Board in the Department of Defense that the Office of Naval Research had requested the order. S.A. 20.

The Invention Secrecy Act provides that a patent applicant whose patent is withheld under Section 181 may apply to the head of the department or agency that requested the secrecy order (here, the Department of the Navy) to obtain compensation for damage caused by the secrecy order or for any use of the invention by the government. If full settlement of the claim cannot be effected, the claimant may bring suit in federal court for an amount that, when added to

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[1] "S.A." refers to the Supplemental Appendix that was included as an appendix to the government's brief in the court of appeals.

the amount awarded by the head of the department or agency concerned, constitutes just compensation for the damage and/or use of the invention by the government. 35 U.S.C. 183.

On January 8, 1988, petitioner submitted to the Department of the Navy what the Claims Court termed a "naked request" for a settlement agreement. Pet. App. B4; see S.A. 24. His brief letter did not describe the invention or the aspects of it that the Commissioner found to be patentable, did not seek a particular amount of compensation, did not identify any damage that allegedly was caused by the secrecy order, and did not identify any use of the invention by the government. After stating that Section 183 authorizes the head of a department or agency, "upon the presentation of a claim," to enter into an agreement with the applicant, the letter simply stated: "I will appreciate having your settlement agreement as soon as possible." S.A. 24.

By letter dated March 3, 1988, the Office of the Chief of Naval Research in the Department of the Navy informed petitioner that it needed additional information in order properly to docket his claim. S.A. 17. Instead of furnishing the requested information, petitioner filed the instant suit in the United States Claims Court, alleging that his invention was taken and being used by the United States. Pet. App. B4; see S.A. 18-19.

The United States filed a motion with the Claims Court for an order requiring petitioner to request the Commissioner of Patents and Trademarks, pursuant to 37 C.F.R. 5.5, to modify the secrecy order to permit counsel for the government to have access to the application file in order to defend against petitioner's

suit.[2] This motion was based on the advice of both the PTO and the Office of Naval Research that government counsel could not be granted access to the file because the application is subject to the secrecy order and because it must in any event be maintained in confidence pursuant to 35 U.S.C. 122. S.A. 28. Petitioner objected to this motion, insisting that he had no obligation to permit disclosure of information in the application as a prerequisite to litigating his claims for compensation. S.A. 25-26, 30.

The court declined to issue an order that directly required petitioner to request the Commissioner to modify the secrecy order. Instead, the court stated that petitioner would not be permitted to proceed with his taking claim under the Fifth Amendment if he did not do so. S.A. 31. With respect to petitioner's statutory claim for compensation under 35 U.S.C. 183, the court held that petitioner could not proceed in court unless he first exhausted his administrative remedies by submitting an administrative claim containing sufficient information to permit the Department of the Navy to docket his claim and respond with a settlement offer (if appropriate), as the Department had stated in its March 3, 1988, letter. The Claims Court therefore entered a stay of proceedings for six months in order to permit petitioner to seek a modification of the secrecy order and to pursue his administrative remedies for obtaining a settlement of his compensation claim. S.A. 32-34. The court reiterated these prerequisites to petitioner's taking and Section

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[2] The United States explained that it could not frame a responsive pleading to petitioner's claims alleging a taking and use of petitioner's invention by the government unless counsel knew what the invention is and what it is supposed to do. S.A. 28.

183 claims in supplemental orders entered on June 9 and July 1, 1988. S.A. 35-37, 38-41. See Pet. App. B5, B8, B14-B15.

After petitioner submitted another unresponsive letter to the Department of the Navy, the Department again informed petitioner, by letter dated October 3, 1988, that his claim could not be docketed and investigated until petitioner provided the requested information (Pet. App. B6-B7) and that he must designate at least one claim relating to his invention that was allowed by the Commissioner and infringed by the government in the use petitioner alleged that the government had made of his invention. S.A. 43. Petitioner responded in an October 20, 1988, letter that he had no obligation to seek a modification of the secrecy order to permit access to the application and other materials in the PTO file by the Navy Department personnel responsible for responding to his request for a settlement. S.A. 44. Petitioner also insisted that he was not claiming infringement by the government, even though he did assert that the government was using his invention. S.A. 44-45.

In a final letter dated November 29, 1988, the Department of the Navy informed petitioner that the PTO had again notified it that Navy Department claims personnel could not obtain access to the PTO file unless petitioner requested modification of the secrecy order and that, although the Department did have access to petitioner's original application, it did not know what the Commissioner had determined to be petitioner's patentable invention (on which his Section 183 claim necessarily was based). S.A. 46. Accordingly, the Department informed petitioner that he had "failed to designate at least one claim * * * alleged to be infringed," and therefore had failed to

establish a claim "for use of the invention by the Government" within the meaning of 35 U.S.C. 183. Because "correspondence available to date" disclosed "insufficient grounds to establish a claim for compensation under 35 U.S.C. § 183," the Navy Department informed petitioner that "this matter is considered closed." S.A. 47. See Pet. App. B5-B8.

2. a. After expiration of the six-month stay that was entered to afford petitioner an opportunity to pursue other avenues of relief, the Claims Court dismissed petitioner's taking claim with prejudice and his Section 183 claim without prejudice. Pet. App. B2-B33. The Claims Court rested its ruling on the taking issue on alternative grounds. First, it relied on the fact that petitioner had failed to request a modification of the secrecy order, which the court had found necessary to enable counsel for the government to litigate the claim and which the court had previously made clear on several occasions was a precondition to proceeding with petitioner's suit. *Id.* at B14-B15, B19-B21. Second, the court held that the bare allegations in the complaint did not in any event state a Fifth Amendment claim. In the court's view, because petitioner explicitly stated in his brief that he did not claim compensation for damage caused by the secrecy order itself (see S.A. 48 n.**), there could be no Fifth Amendment claim in this case based solely on the issuance of the secrecy order. Pet. App. B11. The court noted that petitioner instead based his taking claim on alleged *use* of his invention by the government, but that he did not cite any specific use and indeed did not even describe the invention. *Id.* at B11, B13. The court also rejected petitioner's contention that government use of the invention could be inferred by the issuance of the secrecy order and the renewal of the order for two succeeding one-year

periods. It explained that the secrecy order might have been entered for reasons unrelated to the invention itself, such as the background of the invention or its intended environment, and that the secrecy order stated that its imposition did not constitute a determination that the government had adopted or contemplated adoption of the invention and did not indicate the value of the invention. *Id.* at B12-B13.

The Claims Court dismissed petitioner's statutory claim under 35 U.S.C. 183 because petitioner failed to exhaust his administrative remedies under that provision by declining to submit a good faith and meaningful claim to the Department of the Navy. In the court's view, the single sentence in petitioner's January 8, 1988, letter ("I will appreciate having your settlement agreement as soon as possible" (S.A. 24)) —unaccompanied by any description of his invention as allowed by the Commissioner, any uses of the invention allegedly made by the government, or any specific damage caused by the secrecy order—did not constitute a sufficient "claim" for compensation to invoke the administrative process under 35 U.S.C. 183, and therefore did not require a substantive response by the Department of the Navy. Pet. App. B16-B18, B20-B21, B25-B32.

b. The court of appeals affirmed the dismissal of petitioner's claims in an unpublished judgment order, based on the Claims Court's opinion. Pet. App. A2.

ARGUMENT

The unpublished judgment order of the court of appeals is correct and does not conflict with any decision of this Court or another court of appeals. Further review therefore is not warranted.

1. The court of appeals correctly dismissed petitioner's claim under 35 U.S.C. 183 because he did not make a good faith effort to exhaust his administrative remedies by submitting a meaningful "claim" for compensation to the Department of the Navy. Section 183 makes clear that a patent applicant may have access to the courts only "[i]f full settlement of the claim cannot be effected" as an administrative matter in an agreement with the head of the department or agency concerned. It is especially appropriate to require prior resort to administrative processes where, as here, the subject relates to protection of national security information, which is a matter committed to the Executive Branch. See *Department of the Navy* v. *Egan*, 484 U.S. 518, 527 (1988). Petitioner in fact does not dispute that exhaustion of administrative remedies is a prerequisite to suit under 35 U.S.C. 183. See also *Robinson* v. *United States*, 236 F.2d 24, 27 (2d Cir. 1956) ("the appropriate department must have been given an opportunity to act on the application"). He simply disagrees with the holding by both courts below that he did not fulfill that requirement in the circumstances of this case. See Pet. 17-21. This contention is without merit.

Section 183 expressly provides that "[t]he head of the department or agency is authorized, *upon the presentation of a claim*, to enter into an agreement with the applicant * * * in full settlement for the damage and/or use" (emphasis added). This lan-

guage makes clear that the "presentation of a claim" is a necessary prerequisite to any occasion for the head of the department or agency to consider entering into a settlement agreement, and it therefore is a threshold requirement for invoking the administrative process for the payment of compensation. Compare *Mathews* v. *Eldridge*, 424 U.S. 319, 328 (1976). Petitioner, however, never submitted anything resembling a "claim" to the Department of the Navy. He submitted only what the Claims Court called a "naked request for a settlement agreement" (Pet. App. B4), devoid of any facts upon which the Department could determine the extent to which the invention was found by the Commissioner to be patentable, the value and intended uses of the invention by petitioner, alleged uses of the invention by the United States, and the damage (if any) allegedly caused by the secrecy order.

Despite the Navy Department's request for additional information in its March 3, 1988, letter, petitioner filed suit in the Claims Court on March 7, 1988, without responding to the letter or filing a perfected claim. And despite repeated warnings from the Claims Court in its orders of May 5, June 9, and July 1, 1988, that petitioner must properly exhaust his available administrative remedies and request a modification of the secrecy order before the court would consider his case, petitioner again failed to perfect a good faith claim, submitting only another unsupported request for a "settlement agreement." As a consequence, the Department of the Navy, in its letter of November 29, 1988, properly considered "this matter * * * closed." In light of petitioner's adamant refusal to invoke the administrative process

in the manner that was repeatedly explained to him by both the Department of the Navy and the Claims Court, the courts below correctly concluded that petitioner never filed a good faith claim for compensation with the Department of the Navy and therefore did not exhaust available administrative remedies. The Claims Court therefore properly dismissed the Section 183 count in petitioner's complaint.

Petitioner does not dispute that he failed to inform the Department of the Navy or the Claims Court of a single instance of use of his invention by the government. He contends (Pet. 12-14, 16), however, that the Department of the Navy improperly insisted upon proof of use (infringement) of the invention by the government, since Section 183 also permits an award of compensation based on damage caused by the secrecy order itself, even in the absence of actual use of the invention by the government—*e.g.*, where the secrecy order prevents commercial exploitation of the invention. The difficulty with this contention is that petitioner twice informed the Department of the Navy that his Section 183 claim was based on "use" of the invention by the government (S.A. 42, 44); his complaint in the Claims Court sought compensation for the alleged use of the invention by the government, not for damage caused by the secrecy order itself (S.A. 19); and as the Claims Court pointed out (Pet. App. B11), petitioner expressly represented in his brief to the Claims Court that he " 'does not claim compensation for damages caused by the order of secrecy.' " See S.A. 48 n.**; see also Pet. 6.

In any event, petitioner's contention that he has established his entitlement to compensation in this case based on the secrecy order alone is without merit. Section 183 of course does provide for the pay-

ment of compensation in some circumstances in which a secrecy order has issued, even if the government is not actually using the invention. But contrary to petitioner's apparent contention, the patent applicant is not entitled to compensation based on the mere issuance of a secrecy order. Section 183 provides for "compensation for the damage *caused* by the order of secrecy" (emphasis added). In other words, the applicant must show that the secrecy order in turn affected his ability to exploit the invention or otherwise "caused" him injury. In *Constant* v. *United States*, 617 F.2d 239, 244 (1980), the Court of Claims held that petitioner had sufficiently stated a claim of injury where he alleged that he had begun to develop the invention at issue and the intervention of the secrecy order caused his applications for loans to be rejected and limited his ability to demonstrate the usefulness of the invention to others. Petitioner made no such showing—and indeed no such allegations—here.

Petitioner objects (Pet. 17-21) to the Claims Court's adherence in this case (see Pet. App. B16) to the conclusion by the Court of Claims in the prior case that Section 183 contemplates that "neither the courts nor the administrative agencies would permit purely speculative damages, but that there would have to be 'real concrete evidence of damages,' 'actual damages,' 'proven damages,' or 'perhaps a greater degree of proof or ability to prove damages.'" *Constant* v. *United States*, 617 F.2d at 244 (citations omitted). This prior construction of Section 183 informed the Claims Court's conclusion in this case that petitioner's submission to the Department of the Navy did not sufficiently state a "claim" under Section 183 because it did not state how he was damaged by the secrecy order. See Pet. App. B16-B17, B18, B28 n.7,

B31. As the Court of Claims made clear in the prior case, however, the limitation that "speculative" damages are not to be allowed under Section 183, and that there must instead be concrete proof of actual damages, was drawn directly from the legislative history of Section 183. 617 F.2d at 244. Petitioner has made no effort to show that the Court of Claims' construction was wrong in this respect. Moreover, that prior ruling was rendered in another case brought by petitioner. Principles of issue preclusion would appear to bar petitioner from relitigating that question here. *United States* v. *Stauffer Chemical Co.*, 464 U.S. 165 (1984).

2. For several reasons, the Claims Court also correctly dismissed petitioner's claim for compensation directly under the Just Compensation Clause of the Fifth Amendment.

First, petitioner was repeatedly informed by the court that, as a precondition to proceeding with his taking claim, he must request modification of the secrecy order to allow counsel for the government sufficient access to the PTO application file to enable the government to defend against that claim. Petitioner nonetheless declined to seek modification of the order. The Claims Court was fully justified in dismissing petitioner's taking claim on that ground alone.

Second, as this Court has repeatedly held, the Fifth Amendment does not prohibit the taking of private property by the government for a public use. It prohibits only the taking of property without just compensation. *First English Evangelical Lutheran Church* v. *County of Los Angeles*, 482 U.S. 304, 314 (1987); *Williamson County Regional Planning*

Comm'n v. *Hamilton Bank*, 473 U.S. 172, 194 (1985). "Nor does the Constitution require that just compensation be paid in advance of, or contemporaneously with, the taking; all that is required is that a ' "reasonable, certain and adequate provision for obtaining compensation" ' exist at the time of the taking." *Williamson County*, 473 U.S. at 194 (quoting *Regional Rail Reorganization Act Cases*, 419 U.S. 102, 124-125 (1974)). "If the government has provided an adequate process for obtaining compensation, and if resort to that process 'yield[s] just compensation,' then the property owner 'has no claim against the Government' for a taking." *Williamson County*, 473 U.S. at 194-195 (quoting *Ruckelshaus* v. *Monsanto Co.*, 467 U.S. 986, 1013 (1984)). It follows from these principles that petitioner has no claim against the government in a suit directly under the Tucker Act, 28 U.S.C. 1491, for a taking of property. Even if we assume that petitioner has sufficiently established a taking, any such taking was not "without * * * compensation." As we have explained, 35 U.S.C. 183 affords a patent applicant a fully adequate means to recover "just compensation" from the United States for the government's use of his invention or damage caused by a secrecy order. Compare *Williamson County*, 473 U.S. at 195-197. Petitioner simply failed to comply with reasonable requirements for invoking and exhausting his remedies under Section 183 by declining to submit a sufficiently documented claim.

Third, petitioner's taking claim fails because he has wholly failed to establish that a taking of his property has occurred. Because petitioner has pointed to no use of his invention by the government—and thus has failed to substantiate the only basis he articulated for his claim—he cannot claim that the government has appropriated his property. Perhaps his

taking claim could be thought to rest instead on the premise that the withholding of the patent and imposition of the secrecy order so limited his ability to exploit the invention as to amount to a taking. That would essentially be a claim of a "regulatory taking." But not every act of the government that delays a grant or permit (here, the patent) or restricts the use of property constitutes a compensable taking. See, *e.g.*, *Radioptics, Inc.* v. *United States*, 621 F.2d 1113, 1126-1129 (Ct. Cl. 1980) (imposing security restrictions on proprietary research proposal submitted to Atomic Energy Commission did not give rise to a compensable taking claim). Rather, whether regulation of the use of property goes so far as to amount to a taking depends on the particular circumstances of the case, guided by consideration of the nature of the governmental action, its economic impact, and the extent to which it has interfered with reasonable investment—backed expectations. See *Hodel* v. *Irving*, 481 U.S. 704, 713-714 (1987); *Keystone Bituminous Coal Ass'n* v. *DeBenedictis*, 480 U.S. 470, 495 (1987). In this case, petitioner has not even identified his property interest, much less established that the secrecy order has diminished the value of that interest or interfered with whatever reasonable investment-backed expectations he might have had. He has not shown, for example, that he was in a position to make commercial use of his invention. These matters bearing on the question whether a taking has occurred could have been developed if petitioner had exhausted the remedy afforded him by Section 183. Compare *Williamson County*, 473 U.S. at 188-191; *Ruckelshaus* v. *Monsanto Co.*, 467 U.S. at 1018 n.21.[3]

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[3] Petitioner relies (Pet. 16) on *Central Hudson Gas & Electric Corp.* v. *Public Service Comm'n*, 447 U.S. 557 (1980),

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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NOVEMBER 1989

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for the proposition that his patent application, as commercial speech, is protected by the First Amendment. However, no First Amendment claim is properly before the Court. Except to the extent petitioner's suit arises under 35 U.S.C. 183, the Claims Court's jurisdiction in this case rested on the Tucker Act, which authorizes suits for a money judgment. Petitioner cannot seek damages for violation of the First Amendment under the Tucker Act, because the First Amendment (unlike the Just Compensation Clause of the Fifth Amendment) does not mandate the payment of money damages. Compare *United States* v. *Hopkins*, 427 U.S. 123, 130 (1976) (damages not available under Tucker Act for violation of Due Process Clause). Moreover, petitioner did not request that the secrecy order be rescinded or appeal its imposition to the Secretary of Commerce, as authorized by 35 U.S.C. 181 and 37 C.F.R. 5.4 and 5.8. In any event, in *Central Hudson*, the Court in fact restated longstanding doctrine recognizing that commercial speech is subject to reasonable limitations based on a substantial interest (here, national security). 447 U.S. at 564-566.

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